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FOR IMMEDIATE RELEASE
APRIL 19, 2005

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**HOTEL EXECUTIVE SENTENCED TO 8-YEAR U.S. JAIL TERM IN
MULTI-MILLION-DOLLAR BANK FRAUD AND TAX EVASION SCHEME**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced that MONTY D. HUNDLEY, a former owner of a major United States hotel chain, was sentenced last week to 96 months in prison for masterminding a scheme that defrauded a dozen creditors out of \$100 million, and defrauded the IRS out of the taxes on more than \$29 million in income. Two other executives – JAMES CUTLER and HOWARD ZUKERMAN – were also sentenced to jail terms based on their involvement in the scheme.

HUNDLEY was one of two principals of Tollman-Hundley Hotels, a group of companies that, at its peak, owned, managed, and operated more than a hundred hotels throughout the United States. HUNDLEY and his partner, STANLEY S. TOLLMAN, also are the former owners of Days Inn of America, the parent company of the Days Inn hotel chain. CUTLER was the chief financial officer of Tollman-Hundley Hotels and ZUKERMAN was Vice President of Finance.

According to the Indictment and the evidence introduced

at trial, HUNDLEY and STANLEY TOLLMAN built a series of companies largely through borrowing of hundreds of millions of dollars from and through various financial institutions, including Chemical Bank, National Westminster Bank, First National Bank of Chicago, Marine Midland, and Security Pacific Bank (now Bank of America). HUNDLEY and TOLLMAN personally guaranteed many of the loans. After failing to repay the loans in the early 1990's, HUNDLEY and TOLLMAN put into place a restructuring plan pursuant to which they signed deficiency notes making themselves personally liable to their creditors for approximately \$100 million.

According to the proof at trial, at around the same time they were signing the deficiency notes, HUNDLEY and TOLLMAN sold Days Inn of America to Hospitality Franchise Systems ("HFS") (predecessor to Cendant Corporation) in a deal that allowed HUNDLEY and TOLLMAN to earn shares of HFS under certain circumstances. Pursuant to that agreement, HUNDLEY and TOLLMAN received and sold shares of HFS worth more than \$100 million.

Rather than using the proceeds of the sale of the HFS stock to repay the creditors, however, the evidence at trial showed that HUNDLEY and TOLLMAN, with the assistance of CUTLER, ZUKERMAN, and attorney SANFORD FREEDMAN, pulled off a massive fraud. That fraud involved (1) falsely representing to their creditors that HUNDLEY and TOLLMAN were broke and could not repay the notes; and (2) duping the creditors that held the notes into selling the

notes, at a steep discount, to purportedly unrelated third parties who, as the evidence showed, were in fact sham entities controlled and funded by HUNDLEY and TOLLMAN.

HUNDLEY, who was convicted of conspiring to defraud, and defrauding, his creditors, also was convicted of income tax evasion based on his receipt of over \$25 million that he never reported to the IRS. In addition to the eight-year term of incarceration, HUNDLEY was ordered to pay \$106 million in restitution to the creditors he defrauded, and \$5.4 million in restitution to the IRS. United States District Judge LORETTA A. PRESKA, who presided over the trial of HUNDLEY and his co-defendants, also entered a forfeiture order against HUNDLEY in the amount of \$44 million, which order allows the United States to seize certain assets of HUNDLEY. As part of that forfeiture, Judge PRESKA directed HUNDLEY to surrender his interest in a multi-million dollar company he controlled through a revocable trust in the name of his son.

CUTLER, who was convicted of conspiracy, bank fraud, false statements, and tax evasion, was sentenced by Judge PRESKA to a year and a day in prison, together with restitution in the amount of \$24 million to the victim creditors and \$5.4 million to the IRS, based on the assistance he provided to HUNDLEY and TOLLMAN in the frauds. CUTLER also was ordered to forfeit approximately \$1.3 million to the United States.

ZUKERMAN, who previously served a year-and-a-day in jail

based on his conviction for tax offenses earlier in the investigation, was sentenced to 18 months in jail. ZUKERMAN also was ordered to forfeit approximately \$1.5 million to the United States.

SANFORD FREEDMAN, who was convicted of conspiracy, bank fraud, false statements, and perjury at trial, is scheduled to be sentenced later.

STANLEY S. TOLLMAN, HUNDLEY's business partner, is a fugitive on the bank fraud charges and a separate tax fraud conspiracy pursuant to which TOLLMAN and certain family members – including his son, BRETT TOLLMAN, and wife, BEATRICE TOLLMAN, are alleged to have received a total of over \$50 million of unreported income through secret foreign bank accounts. That income is alleged to have come from TOLLMAN's ownership and control of several travel companies, including Trafalgar Tours International. STANLEY and BEATRICE TOLLMAN were arrested by British authorities in 2004 pursuant to the United States' request for extradition. An extradition hearing is scheduled next month in London.

BRETT TOLLMAN, a former executive at Tollman-Hundley Hotels, pleaded guilty to two tax fraud charges in September 2003 and sentenced by Judge Preska in March 2004 to 33 months in prison. One tax fraud charge involved his receipt of millions in unreported income through a secret foreign bank account; the other charge involved tax evasion at Tollman-Hundley Hotels.

Another family member – STANLEY TOLLMAN's nephew GAVIN TOLLMAN, former president of Trafalgar Tours, USA – was arrested in February based on his involvement in the TOLLMAN-family tax fraud scheme, and is currently fighting extradition from Canada.

Mr. KELLEY praised the investigative efforts of the IRS and FBI. He also thanked law enforcement officials in Guernsey, the Channel Islands, for their efforts in helping to obtain evidence that assisted in uncovering the massive tax fraud scheme. Mr. KELLEY indicated that the investigation is continuing.

Assistant United States Attorneys PETER G. NEIMAN, JUSTIN WEDDLE, STANLEY J. OKULA, JR., and JOHN P. COLLINS, JR., are in charge of the prosecution.

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